

January 12, 2004

Agreement in Principle

Introduction

Homestake Mining Company and Barrick Gold Corporation (collectively "Homestake") and the State of South Dakota ("South Dakota") enter into this agreement in principle for the donation of certain property that Homestake currently owns in and near Lead, South Dakota. South Dakota desires to acquire this property from Homestake for use as an underground scientific laboratory. Homestake is willing to donate the property to South Dakota, provided that necessary funding and approvals are acquired for construction and operation of the laboratory and Homestake is protected from any liability that may arise after the donation as a result of the construction and operation of the underground laboratory. The purpose of this agreement in principle is to outline the terms and conditions upon which the property will be conveyed from Homestake to South Dakota.

Background

Homestake has operated the Homestake Mine in South Dakota for more than 120 years. Active mining of the underground mine ended in 2001 and, since that time, Homestake has been conducting reclamation and closure activities. The underground workings at the Homestake Mine are vast, with more than 300 miles of underground tunnels and shafts which reach, at some points, more than 8000 feet below the surface. Surface facilities are also extensive, and include buildings, hoists, warehouses, and shops.

Underground scientific research has been conducted in the Homestake Mine since 1965, when Professor Ray Davis, Jr. of Brookhaven National Laboratories constructed a neutrino detecting experiment in an underground laboratory excavated by Homestake. In 2002, Professor Davis was awarded the Nobel Prize in Physics for his studies of solar neutrinos, including the Homestake research.

In September, 2000, Homestake announced that the mine would be closed at the end of 2001. Shortly after that announcement, a group of scientists began studying opportunities for further underground research at the Homestake Mine. South Dakota entered into discussions with Homestake and individuals in the scientific community regarding the possible donation of property at the Homestake Mine for an underground laboratory. In June, 2001, an initial proposal for an underground research facility was submitted to the National Science Foundation. Studies by the National Science Foundation and other independent groups of scientists have determined that the Homestake Mine is the most favorable site for an underground scientific laboratory. Homestake and South Dakota agree that the Laboratory Property is not suitable for construction and operation of a modern scientific laboratory without substantial investment in new infrastructure, including rehabilitation or replacement of the existing shafts and excavation of new underground chambers to house experiments. The changes required for the laboratory will substantially and permanently change the Laboratory Property, and the new laboratory, which will be used by research scientists, academia, and students, and may be accessible to the

public, will present new and different risks from those presented by a closed and vacant underground mine.

In the fall of 2001, Homestake agreed to donate the underground workings for the laboratory and certain surface facilities to support the laboratory, provided that (1) necessary funding and approvals were obtained for construction and operation of the laboratory, and (2) that Homestake was released from any future liability that might result from the construction and operation of the new laboratory. Initially, it was expected that federal legislation would be required to provide that protection. Legislation was passed by the Congress at the end of 2001, but, as a result of amendments, the federal legislation was unworkable.

In the spring of 2002, South Dakota began discussions with Homestake seeking an alternative means to acquire the property and provide the necessary protection from future liability through state law. As those discussions progressed, Homestake continued its reclamation and closure activities, focusing its efforts on those portions of the Homestake Mine other than the Laboratory Property. These other portions represent the vast majority of reclamation to be conducted at the Homestake Mine. Closure activities in the underground mine included a cleanup and inspection of all of the safely accessible shafts and tunnels. Waste materials, equipment, fuels, solvents, and other chemicals-including the original neutrino experiment-were removed from the underground mine. The underground cleanup and closure activities were extensively documented. The South Dakota Department of Environment and Natural Resources conducted several inspections of the underground mine as closure activities were being completed and also reviewed the closure plan and documentation prepared by Homestake. As a result of the knowledge gained through the closure process, including the state inspections, Homestake and South Dakota have been able to more accurately assess the potential risks associated with the donation of the property. In July, 2003, closure activities associated with the underground mine were completed and the underground mine was closed. Closure activities involving portions of the Homestake Mine other than the Laboratory Property are ongoing and will continue for several more years.

In June, 2003, Governor Rounds created the Homestake Laboratory Conversion Office to assist the National Science Foundation and the scientific community to convert the Homestake Mine into an underground scientific laboratory. Homestake has worked cooperatively with the Office, providing data and support for its efforts. Homestake has implemented certain recommendations from the Conversion Office and its contractors to protect the main shafts from deterioration while the process of developing and funding the laboratory proposal proceeds. Homestake intends to continue to support the Conversion Office as it works with the scientific community to prepare a proposal to the National Science Foundation.

In the fall of 2003, Homestake and South Dakota agreed that the issues relating to the donation of the property could be resolved through state action, including the creation of the Science and Technology Authority (the "Authority") which could receive the property from Homestake and then make it available for scientific research. The Authority will provide the primary mechanism to protect and indemnify Homestake against any future liability from the construction and operation of the Laboratory. Remaining issues were resolved through

Property to be conveyed

1. Homestake owns or controls certain real property, surface rights, underground workings, shafts, tunnels, mineral rights, water rights, structures, buildings, facilities, fixtures and other rights and property associated with the Homestake Mine. South Dakota wishes to obtain that portion of the property that has been identified as useful for the operation of an underground scientific laboratory, including, in particular, the underground workings and certain surface property and facilities. The property that is proposed to be conveyed from Homestake to South Dakota is identified on a map included in this agreement as Exhibit A. The property described on Exhibit A will be referred to in this agreement as the "Laboratory Property." The Laboratory Property will include approximately 508 acres where Homestake owns the entire estate (surface and subsurface), and approximately 365 acres where the surface rights have been conveyed to other owners. The Laboratory Property will include all rights, fixtures, and structures which are owned by Homestake within the identified property boundaries. The Laboratory Property will also include any water that flows on or into the Laboratory Property from any source.
2. This agreement does not include, and Homestake will not convey to South Dakota, any lands or facilities outside of the areas described on Exhibit A. Homestake will retain ownership of, and this agreement will not change its responsibility for, all of its property not subject to this agreement, including, but not limited to the open cut, waste rock repositories and the tailings disposal facility. Homestake intends to continue to reclaim and close the remaining mine facilities insofar as required by applicable law and such activities shall be unaffected by this agreement.

Indemnification and Protection from Liability

3. Homestake and South Dakota acknowledge that, after the donation of the Laboratory Property, Homestake will lose all control over the use of the Laboratory Property. They also acknowledge that the Laboratory Property will be substantially changed by the construction and operation of the laboratory and the introduction of scientists and other non-miners into the underground environment. Accordingly, Homestake and South Dakota have agreed that Homestake will be indemnified from any future liability associated with the Laboratory Property. The indemnification package will include three components: (1) a contract between Homestake and the Science and Technology Authority by which the Authority will indemnify Homestake for any civil liability associated with the Laboratory Property after the date of conveyance; (2) a statutory change that will provide immunity from claims under state law for the owners of property, like the Laboratory Property, that may be donated to the Authority; and (3) a statutory indemnification from South Dakota from civil liability after the date of the conveyance. Homestake and South Dakota agree that the scope of the liability protection and indemnification provided by this agreement is meant to coincide, as nearly as possible, with the scope of protection provided by the federal legislation which was passed by the United States Senate in November, 2001. The language contemplated for the contract with the Authority and the proposed amendments to South Dakota law are based on the language that was approved by the Senate.

4. South Dakota will create a Science and Technology Authority with the legal authority to accept and manage the Laboratory Property and to enter into the contract with Homestake that is described in this agreement in principle. Exhibit B is a draft statute creating the Authority. South Dakota and Homestake agree that the language in Exhibit B reflects their agreement on liability and indemnification issues insofar as the Authority is concerned.

Contract with the Authority

5. After the creation of the Science and Technology Authority, passage of the Immunity Statute referred to in paragraph 6, and passage of the indemnification Statute referred to in paragraph 7, Homestake will enter into a contract with the Authority that includes the following components:

A. Homestake will agree to irrevocably convey the Laboratory Property to the Authority no later than thirty days after the Authority demonstrates that it has obtained funding, permits and approvals required to fully construct and operate the underground laboratory and the Authority and the Governor have agreed to accept the conveyance. The parties agree, however, that Homestake may retain ownership and/or control of the Water Treatment Plant, Administration Building and Yates Waste Rock Dump in order to support or complete reclamation or closure activities (whether related to those specific sites or otherwise) and that Homestake's interest in those specific sites will be conveyed to the Authority upon completion of those activities and acceptance of the conveyance by the Authority and the Governor. On the execution and delivery by Homestake (and acceptance as provided herein) of one or more quitclaim deeds or bills of sale conveying to the Authority all right, title, and interest of Homestake in and to the Laboratory Property, title to the Laboratory Property shall pass from Homestake to the Authority. The Laboratory Property shall be conveyed "as is," on the date of conveyance, without any representations as to the condition of the Laboratory Property.

B. After the date of the conveyance, the Authority will assume liability for and will indemnify, defend, and hold harmless Homestake (and its successors) from and against any liability to any person, South Dakota or the United States for any injuries, costs, injunctive relief, reclamation, damages (including damages to natural resources or the environment), or expenses, or any other claim (including claims for indemnification, or contribution, claims by third parties for death, personal injury, illness or loss of or damage to property, or claims for economic loss) under any law (including a regulation) for any claim arising out of or in connection with the condition or use of the Laboratory Property, regardless of when the condition or use giving rise to the liability originated or was discovered. The Authority will not assume liability or indemnify Homestake against (1) any unemployment, worker's compensation, or other employment-related claim or cause of action of an employee of Homestake before the date of conveyance, or (2) any violation of any provision of criminal law.

C. The Authority will create an interest bearing fund that **will** be used for closing the laboratory after its operating life (the "Closure Fund.") The Closure Fund will be funded at \$1 million. The Authority will contribute \$800,000 to the Closure Fund on or before the date of the conveyance of the Laboratory Property and Homestake will contribute \$200,000 to the Closure

Fund on the date of the conveyance of the Laboratory Property. Homestake will have no interest in, access to or control over the Closure Fund.

D. The Authority will create an Indemnification Fund that will be used only to indemnify Homestake (and its successors) from any claims that might be brought against Homestake in connection with the Laboratory Property. The purpose of the Indemnification Fund is to provide a fund that is immediately accessible by the Authority without further authorization or appropriation by South Dakota. The Authority will agree to make an initial contribution of at least \$2 million on the date of the conveyance and will further agree that the Indemnification Fund will be fully funded-at a level of \$10 million-before the Authority begins any construction on the Laboratory Property. The Indemnification Fund will be maintained at a level of at least \$10 million until five years after the closure of the laboratory (or until all pending claims or demands are resolved, whichever is longer). Money remaining in the fund after that date will be subject to dispersal as directed by the Authority. Apart from any expenditures from the Indemnification Fund that might be made in accordance with the terms of the contract between Homestake and the Authority, Homestake will have no interest in, access to, or control over the Indemnification Fund.

E. The Authority will obtain liability insurance for the operation of the Laboratory, including any experiments that may be conducted on Laboratory Property. An environmental risk insurance policy with a liability limit of at least \$5 million will be in place prior to the date of conveyance of the Laboratory Property. The Authority will also purchase insurance to adequately insure against risks associated with construction and operation of the laboratory in an amount that is acceptable to Homestake, acting reasonably, provided however, that the required insurance is not to exceed \$75 million. Each experiment that is authorized to be conducted on Laboratory Property will also be insured. The Contract will not limit, in any way, insurance that may be obtained by the Authority for any other purpose, or any requirements for liability insurance that the Authority may impose on sponsors of experiments.

F. The Authority will agree to reimburse Homestake for the reasonable transaction costs (legal and administrative costs) associated with the donation of the property, including the costs of preparing the Contract, preparing documents to convey the property and similar costs. The reimbursable costs will not include the salary or benefits of any Homestake employee or any costs related to managing or maintaining the Laboratory Property. These costs will be reimbursed within 90 days after the conveyance of the property, and there will be no reimbursement of any transactional costs if, for any reason, the Laboratory Property is not conveyed to South Dakota.

The Contract may include such other terms as Homestake and the Authority determine are necessary to implement this agreement in principle.

Immunity Statute

6. South Dakota agrees that it will enact a statute substantially in the form as the proposed legislation attached as Exhibit C. South Dakota and Homestake agree that this language will

protect Homestake (and its successors) from any claims that may arise under state law in connection with the Laboratory Property after the date of the conveyance.

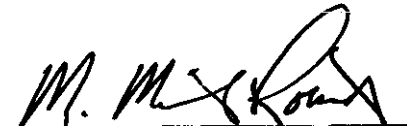
Indemnification Statute

7. South Dakota agrees that it will enact a statute substantially in the form as the proposed legislation attached as Exhibit D. The proposed language provides that the State of South Dakota will, to the fullest extent allowable under South Dakota law, indemnify Homestake from any claims which might arise in connection with the Laboratory Property after the date of the conveyance. The Statutory Indemnification is intended to supplement the indemnification provided for in the contract between Homestake and the Authority, and be enforceable in the event the Authority should fail or be dissolved.


Termination

8. This agreement in principle may be terminated by South Dakota at any time prior to the conveyance of the Laboratory Property should South Dakota determine, for any reason, that it will no longer seek to construct and operate the underground scientific laboratory at the Homestake site. This agreement shall terminate three years from the date of this agreement if there has been no conveyance of the Laboratory Property.

Dated this 12th day of January, 2004



Governor M. Michael Rounds
For the State of South Dakota



Patrick J. Garver
For Homestake Mining Company and Barrick Gold Corporation

Attachments

Exhibit A - Map of the Laboratory Property
Exhibit B - Draft Legislation Creating the Science and Technology Authority
Exhibit C - Draft Legislation Providing Immunity From Certain Claims for Parties that Donate Property to the Authority
Exhibit D - Draft Legislation Indemnifying Homestake for Future Liabilities Associated with the Underground Laboratory